

Existing Home Sales Plummet in 2006

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WASHINGTON (AP) -- Sales of existing homes fell in December, closing out a year in which demand for homes slumped by the largest amount in 17 years.

The National Association of Realtors reported that sales of existing homes were down 0.8 percent last month, a bigger decline than had been expected. For the year, sales fell by 8.4 percent, the biggest annual decline since 1989, when existing home sales fell by 14.8 percent.

The sales figure underscored the sharp contraction that is going on in the once high-flying housing market, which before last year had set sales records for five straight years.

Even with the sharp [drop in sales](#) last year, the median price of an existing home sold in 2006 managed to rise a slight 1.1 percent. But that was far below the double-digit gains during the boom years. The median home price had risen by 12.4 percent in 2005.

After a five-year boom, housing slowed significantly last year, which has caused ripple effects throughout the economy with rising job layoffs in construction and other housing-related industries.

But economists said they believe the low point for housing has been reached and they are forecasting a slow rebound in 2007. Because of that optimism, analysts don't believe the slump in housing will drag the overall economy into a recession.

The 0.8 percent drop in sales in December came after two straight months of improving sales, the first back-to-back sales gains since the spring of 2005.

[David Lereah](#), chief economist for the Realtors, said that even with the December setback, he still believes that sales of existing homes have hit bottom and will start to gradually improve.

He said that in 2005, 40 percent of the market represented purchases of second homes and investors buying homes looking to resell them for quick profits.

He said that speculators had now left the market and that should leave sales at a more sustainable level.

"With fingers and toes crossed, it appears that we have hit bottom in the existing home market," he said.

In other economics news, the number of Americans filing applications for [unemployment benefits](#) shot up last week by the largest amount in 16 months, reversing two weeks of big declines.

The [Labor Department](#) reported that 325,000 newly laid-off workers filed claims for jobless benefits last

week, an increase of 36,000 from the previous week. That was the biggest one-week rise since a surge of 96,000 claims the week of Sept. 10, 2005, when devastated Gulf Coast businesses laid off workers following Hurricane Katrina.

The increase of 36,000 was bigger than the 20,000 rise that had been forecast. Analysts, however, cautioned that it is difficult to read the claims figures at this time of year because of unusually wide swings caused by the holidays and other factors.

Based on past trends, claims numbers often surge in third week of the month as retail businesses shed seasonal workers hired to help with the crush of holiday shoppers. However, this year, the layoffs were much higher than in past years.

The jump in jobless layoffs followed a string of reports showing the economy was performing at a better-than-expected pace at the end of 2006 and the beginning of the new year. Employers added 167,000 new jobs in December, helping to keep the unemployment rate at 4.5 percent.

Economists believe that while growth has slowed because of the steep downturn in housing, they expect the United States will be able to avoid an outright recession.

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